ZAMBIAN BREWERIES PLC

Annual Report | 2012

Moving to Firmer Ground

A subsidiary of SABMiller plc

Refreshing moments enjoyed in the company of good friends.

1. David Cason 2. James Webb 3. Anele Malumo 4. John Cochran 5. Franz Schepping 6. Nyangu Kayamba
7. Annabelle Degroot

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A long awaited triumphant entry

CHIPOLOPOLO!

MOSI LAGER

OFFICIAL SPONSOR

Honouring of national heroes

Moving to Fi

Firmer Ground

Part of our state-of-the-art production line

Bottled Gold

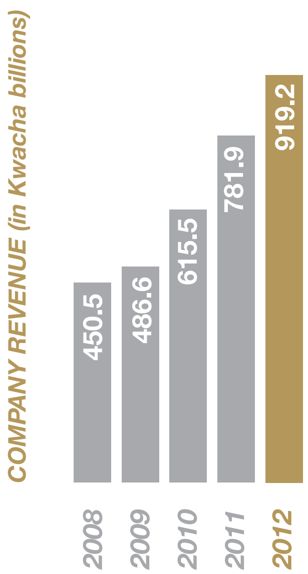
Company Financial Review

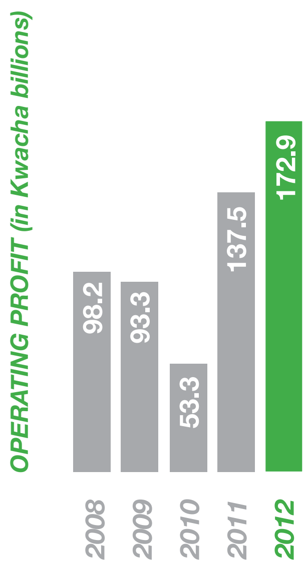
(In Kwacha millions)	***2008***	***2009***	***2010***	***2011***	***2012***
***Company turnover** (Incl. excise duty)*	629,742	673,086	837,256	996,181	**1,179,414**
***Company revenue** (Excl. excise duty)*	450,516	486,651	615,558	781,913	**919,257**
Operating profit	98,208	93,314	53,036	137,594	**172,998**
Profit before income tax	89,298	73,476	3,820	67,511	**120,948**
Profit/(loss) for the year	56,228	44,092	(720)	45,308	**71,652**
Total assets	427,311	706,455	981,159	989,717	**1,419,036**
Current liabilities	157,641	423,625	463,682	262,472	**623,193**
Shareholder's funds	208,603	210,558	191,725	237,057	**659,624**

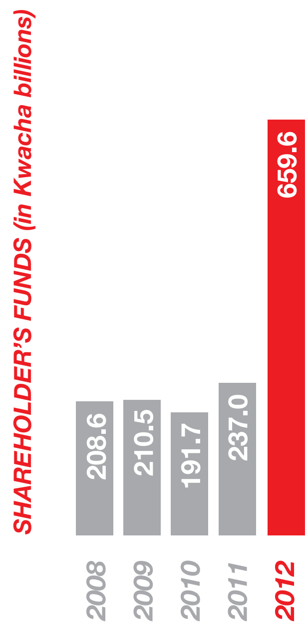
K919.2billion
Company revenue
Up 18% from 2011

K172.9billion
Operating profit
Up 26% from 2011

K659.6billion
Shareholder's funds
Up 178% from 2011







Chairman's Statement

Dear Shareholders,

This was a year in which the company experienced significant change, including five changes at senior management level. We saw the departure during the year of Mr. Pearson Gowero (Managing Director), Mr. Dave Kvalsvig (Finance Director), Mr. Patrick Lead (Marketing Director), Mr. Ian Mackintosh (Technical Director) and Mr. Chibamba Kanyama (Corporate Affairs Director). I would like to thank all these gentlemen for the immense contribution they made to the company during their tenure.

We welcomed Mr. Anele Malumo (Managing Director), Mrs Annabelle Degroot (Finance Director), Mr. John Cochran (Marketing Director), Mr. Franz Schepping (Technical Director) and Mr. James Webb (Supply Chain Director) to the Executive Committee. Mr. Anele Malumo and Mrs. Annabelle Degroot also joined the Board as Executive Directors

Market Overview

Trading conditions were generally favourable during the year. The economy continued to grow and inflation was well contained. The exchange rate too held under the important K5,000 to US$1 mark for the majority of the year. There was a level of uncertainty during the lead up to the elections in September 2011. However, consumer sentiment was generally positive, particularly after the successful and peaceful conclusion of the elections. Not surprisingly, there was a significant increase in competitor activity.

We were very pleased to note the new government's commitment to continuing to pursue investor friendly policies. Also encouraging for us was the government's decision not to make any upward adjustment to excise duties on beer. This allowed us to make a lower than inflation adjustment to the price of beer.

Strategic Review

The results for the year once again demonstrate that our continued strategy of investing ahead of demand is the correct one. Significant investments were undertaken during the year in pursuit of our aspirations. I must single out here the commencement of work for the rebuilding of our Ndola brewery at a planned cost of US$86 million. This work is due to be completed in time for the 2012 Christmas peak season and will treble the capacity at this brewery. The focus on our brands continued to bear fruit with robust performances from our key brands driving our performance. We anchored our local barley sourcing initiative with another good season, ensuring that we did not need to import this important input.

Even with the increase in competitive pressure, notably in the soft drinks market, our strong brands ensured that we retained our strong position in the market. Investment in our distribution capacity also had a notable impact on our ability to retain our market position. In this regard, we made significant shifts in our sales organisation allowing us to better understand and serve our customers.

In the second half of the year, we concluded the integration of the support functions with our sister companies, National Breweries plc and Heinrich's Syndicate Limited. This provided us the opportunity to set the base for extracting cost and other operating synergies.

Chairman's Statement continued

Sustainable Development

Our commitment to operating in a responsible and accountable manner remains very high and we continue to regard this as a key strategic focus. Our efforts behind our Corporate Social Investment (CSI), Corporate Social Responsibility (CSR) and Enterprise Development projects and programmes did not abate during the year. Included with this report is a specific publication dealing with our sustainable development agenda and I refer you to it for more details on this.

Corporate Governance

As before, the company continues to place major emphasis on the upholding of sound corporate governance and insists on compliance with a strict set of governance codes by all employees as well as suppliers. This now includes a code specifically aimed at making sure the company is not involved in any kind of bribery, in line with legislation in the United Kingdom.

I am pleased to report that no significant breaches were reported during the year.

Future Prospects

We are confident that the economy will continue on the path of stable growth experienced so far. The peaceful transfer of power following the elections in September 2011 confirms to us that our strategic view and investment agenda is well grounded. Our major investment in the rebuild of the Ndola brewery will significantly increase our beer production capacity. A bold and focused soft drinks strategy, premised on correcting a structural problem of affordability, will underpin continued robustness in this area of our business. Taken together with government continuing to pursue sound, transparent and market friendly policies we are well placed to leverage our investments to drive top line growth.

Valentine Chitalu
CHAIRMAN

Managing Director's Report

I am very pleased and it is a particular honour for me to be able to make this report to shareholders of this great company. My first year, although not a full twelve months, as Managing Director has been characterised by many changes. I am referring of course not only to changes within the company but also to the historic change in government after the September 2011 elections.

Our intent during the year was to continue to invest in our facilities and in this regard, we identified the Copperbelt as our area of focus. We set out to enhance the profitability of our business by making improvements in our production efficiency, keeping a close eye on costs and defending and growing our market whilst being responsive to the needs of our customers and consumers.

Clear Beer

As could be expected in capacity constrained circumstances, growth in clear beer slowed from the very high level experienced in the prior year. Nonetheless, the 16% growth recorded during the year was a commendable result. Our mainstream brands continued to be the big driver of our growth. The performance of Mosi Lager was particularly pleasing showing a 36% growth versus the prior year. We are just as proud of the performance of the Mosi Lager sponsored national soccer team in winning the AFCON championship for the first time in the history of the country.

I must point out that the results achieved for clear beer are a result of the total portfolio performing well. All the brands grew in high double digits with Castle Lite delivering a stellar result, selling more than four times the volumes sold in the previous year.

Continued focus on brand building activities, a significant step up in our distribution capacity, price restraint and much improved availability were the main drivers of our clear beer growth.

Soft Drinks

A lacklustre performance in the first two thirds of the year meant that soft drinks sales volume continued to disappoint. We closed the year level on the prior year's volumes. In the latter part of the year, collaborating closely with the Coca-Cola Company, we embarked on a very focused strategy to change the trajectory of this part of our business.

This strategy revolves around first of all addressing an issue we have been concerned about for some time now. This is the high cost of soft drinks in Zambia driven by the high level of taxes imposed. We took the critically important step of reducing the price of the 300ml RGB by 22%. We continue to engage with government on the issue of product taxes so that this serious structural problem in the soft drinks market can be addressed in a sustainable manner. The other elements of our strategy are around ensuring availability and market development.

Support Services Integration

During the second half of the year, we embarked on and concluded an exercise to integrate our Finance, IT, HR, Corporate Affairs and Supply Chain functions with our sister companies, National Breweries plc and Heinrich's Syndicate Limited. Even at this early stage, we have already seen significant benefits from this process, especially in the areas of treasury management and general cost

Managing Director's Report continued

control. During the third quarter, we undertook a major upgrade of our IT systems and we realised synergies in this area as well.

Human Resources

In line with our belief in that our people are our enduring advantage, we continued to focus on our programmes in relation to human resources. Our objective is to ensure that we have an environment in which people are inspired to consistently perform at their best and have the opportunities to grow to their fullest potential.

We increased our expenditure on training by 65% over the prior year, as we maintained our focus on the development and training of our people. During the year, we also brought renewed focus to our performance management and talent management processes to ensure our people remained engaged and aligned to the delivery of our strategic imperatives.

Our HIV/AIDS program continued to be a focus. During the year, 75% of our people retested. Our treatment programme also continued, buoyed by the fact that with the support of government, we were able to significantly reduce the cost of drugs.

STRATEGIC REVIEW

Defend and Grow Market Position

Competitive activity intensified significantly during the year, particularly with soft drinks. We saw some deterioration in our soft drink market share, especially in the first part of the year, but this stabilised towards the latter part of the year.

Beer experienced the reverse. Our position remained strong in the earlier part of the year but softened somewhat later on as challenges in logistics created supply problems, particularly with Castle Lite. We nonetheless retained our strong position as supply returned to normal levels.

Improve Production Efficiency

We recorded good improvements in factory efficiency at both Lusaka and Ndola for both clear beer and soft drinks. These improvements allowed us to significantly reduce our out of stock incidences.

Manage Costs

Our focus on management of our cost base generally yielded good results. Particularly pleasing was that we were able to hold the increase in our cost of goods sold (variable costs) to 6% which was below inflation. We did incur extra fixed costs, but this was necessary for the maintenance required to deliver improved factory efficiencies.

Responsive To Customer and Consumer Needs

We made major strides in our continued efforts to provide the best service to our customers and respond to the needs of our customers. We invested K8.5 billion in distribution vehicles during the year. This was augmented by investment in state-of -the- art fleet management technology, including integrated route planning and tracking. We also invested in hand held technology for our sales force to reduce the burden of administrative tasks and allow them to be more responsive to customers.

We continued our investment in our brands, leveraging our sponsorship of the national soccer team with Mosi Lager, 7s rugby with Castle Lager and development soccer with Copa Coca-Cola. We are especially proud that the Zambian team

Managing Director's Report continued

emerged as Champions in the Copa Coca-Cola International Tournament held in Chelsea, United Kingdom during October 2011.

We also remain ever mindful of the imperative of affordability of our products, highlighted by the reduction in the price of the 300ml soft drink RGB pack and the muted, below inflation increases for beer.

Sustainable Development

In the past we have referred to our sustainable development strategy and agenda, noting that it is perfectly aligned with the SABMiller group strategy. Our focus on this area remains unabated and we continue to be involved in programmes that seek to bring to life our strategy. As indicated by the Chairman, we have included with this year's report, a dedicated sustainable development report which highlights some of the key projects that we have undertaken.

Capital Investment

We continued with our programme to build the capacity required to respond to market opportunities and maintain the capability of our business to achieve its aspirations. Our total capital expenditure for the year was K310 billion. Key projects included the commencement of the rebuilding of Ndola brewery, our investment in distribution fleet, an upgrade to our IT system and upgrades to packaging lines at our Lusaka plant.

LOOKING AHEAD

The Zambian economy continues to grow and perform strongly. There is clear and broad consensus that this will continue to be the case as long as government continues with its free market policies and the country remains an investor friendly destination.

We look forward to government continuing to be accessible, not only to business, but to all citizens and maintaining their policy of open engagement and collaboration.

We will continue to invest in building strong brands that are the first choice of our consumers. We will look to build on the progress made in ensuring we provide our customers with the best possible service.

Our success with the local sourcing of barley demands that we look for even more avenues with regard to local sourcing and we shall be looking closely at this area. Our sustainable development agenda will continue to be a critical area of attention.

Importantly, even as we look with excitement to the commissioning of the new Ndola brewery, we will continue to make investments that will allow us to take advantage of opportunities in the market.

We will look to leverage the integration of our support services with National Breweries plc and Heinrich's Syndicate Limited to drive operational and cost synergies. Disciplined cost management will be paramount as we look to ensure financial results that can allow the required investments to be made.

The critical foundation will be focusing on our Human Resources management to ensure that we have highly competent, motivated and engaged people.

Anele Malumo
MANAGING DIRECTOR

Board of Directors

Valentine Chitalu

Valentine (47) is an entrepreneur in Zambia and Southern Africa specialising in private equity and local private sector development. Until December 2003, Valentine worked for CDC/ Actis in London and Lusaka specialising in deals origination throughout Southern Africa and portfolio management in Zambia and Malawi. Valentine was previously Chief Executive Officer at the Zambia Privatisation Agency where he was responsible for the divestiture of over 240 enterprises. He also worked for KPMG Peat Marwick in the United Kingdom in the early part of his career. Valentine holds several board positions in Zambia, South Africa and the United Kingdom and is Chairman of several corporate organizations. Valentine is a qualified Accountant and holds a Masters Degree in Development Economics.

Anele Malumo

Anele (47) is the Managing Director of Zambian Breweries plc as well as an executive member of the Board. He worked at South African Breweries (SAB) Limited where he accumulated a wealth of experience for over twelve (12) years in finance, operations, sales and distribution. He holds a bachelor's Degree in Accounting, an MBA and is a Fellow of the Association of Chartered Certified Accountants (ACCA).

George Sokota

George (64) is a professional accountant and financial consultant. He is a Fellow of the Institute of Chartered Accountants in England and Wales. He is also a Fellow of the Association of Certified Accountants, United Kingdom and Fellow of the Zambia Institute of Chartered Accountants (ZICA). He sits on a number of notable boards, several of which he chairs.

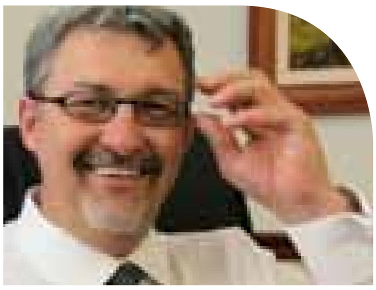
Annabelle Degroot

Annabelle (39) joined Zambian Breweries Plc in 2008 and was appointed as the Finance Director of Zambian Breweries plc in February 2012. She has over 15 years experience in audit and finance functions in the UK and Zambia.

Annabelle holds a BA MA in Economics from Cambridge University and is a qualified ACA with the Institute of Chartered Accountants, England & Wales (ICAEW). She is a Fellow of the Zambia Institute of Chartered Accountants

Gert Nel

Gert (52) joined SABMiller in 1989. He has held several of positions in SABMiller, including Senior VP Finance and Administration in Poland and Group Head of Finance Excellence before returning to the Africa Division in April 2011 as Senior Manager, Finance Operations. Gert holds various degrees including an MBA and PhD as well as a BA Degree in Psychology obtained in 2011.



Wesley John Tiedt

Wes (59) joined SABMiller in 1998 in Botswana as General Manager of Botswana Breweries Limited. He joined National Breweries in Lusaka in May 2003 as Managing Director of National Breweries Plc as well as a Director of Zambian Breweries Plc and was appointed a Director of Chibuku Products Limited of Malawi from May 2003. Wes has over 30 years experience in opaque beer and related products. Wes is also a member of the Institute of Brewing & Distilling and a Fellow of the Chartered Management Institute (CMI) FCMI of the United Kingdom.

Directors' Report

The Directors submit their report together with the audited financial statements for the year ended 31 March 2012, which disclose the state of affairs of Zambian Breweries Plc ('the Company').

Principal activities

The principal activities of the Company are the production and distribution of clear beer and soft drinks. In the opinion of the directors, all the activities of the Company substantially fall within the beverage industry.

Share capital

During the year 182 million ordinary shares at a price of K1,950 per share were issued through a rights issue. The proceeds from the rights issue were credited to ordinary shares and share premium net of transaction cost. Authorised share capital increased to 600 million ordinary shares of K1 each from 400 million ordinary shares of K1 each and issued share capital increased to 546 million ordinary shares of K1 each from 364 million ordinary shares of K1 each.

Results and dividends

	2012 K million	2011 K million
Revenue	919,257	781,913
Profit for the year	71,652	45,308

The directors do not recommend payment of a dividend (2011: Nil).

Directors

The directors who held office during the year and to the date of this report were:

Valentine Chitalu	-	Chairman
George Sokota	-	Non – Executive Director
Anele Malumo	-	Managing Director (Appointed 1 August 2011)
Wesley Tiedt	-	Non - Executive Director
Gert Nel	-	Non – Executive Director (Appointed 1 February 2012)
Annabelle Degroot	-	Finance Director (Appointed 1 February 2012)
Pearson Gowero	-	Managing Director (Resigned 31 July 2011)
Gerard Besson	-	Non - Executive Director (Resigned 31 January 2012)
Dave Kvalsvig	-	Finance Director (Resigned 31 January 2012)

Number of employees and remuneration

The total remuneration of employees during the year amounted to K75,385 million (2011: K70,828 million) and the average number of employees was as follows:

Month	Number	Month	Number
April	941	October	1,042
May	982	November	1,052
June	995	December	1,079
July	1,005	January	1,088
August	995	February	1,084
September	1,013	March	1,060

Directors' Report continued

The Company recognises its responsibility regarding the occupational health, safety, and welfare of its employees and has put in place measures to safeguard them.

Gifts and donations

During the year the Company made donations of K256 million (2011: K86 million) to various charitable organisations and events.

Exports

Product to the value of K5,317 million (2011 – K 2,441 million) was exported from Zambia during the year.

Property, plant and equipment

The Company purchased property, plant and equipment amounting to K323,920 million (2011: K61,780 million) during the year. In the opinion of the Directors, the carrying value of property, plant and equipment is not more than its market value.

Research and Development

No research and development costs were incurred by the Company during the year (2011: Nil)

Auditors

The Company's auditor, PricewaterhouseCoopers, has indicated their willingness to continue in office and a resolution for their reappointment will be proposed at the annual general meeting.

By order of the Board

M M. Mutimushi
Company Secretary

12 June 2012

Corporate Governance Statement

Zambian Breweries plc is committed to applying the principles of best practice corporate governance to facilitate effective and prudent management and to drive the long-term success of the Company. This statement describes how the Company draws guidance from the Lusaka Stock Exchange Governance Code, the UK Combined Code on Corporate Governance and the Turnbull Guidance Report on internal controls.

FRAMEWORK

The Company has established a formal governance framework by way of adopting comprehensive Board Procedures on Corporate Governance. This framework provides detailed guidance for effective governance of the Company which includes formal policies, procedures and relevant management reporting requirements.

THE BOARD

The Board of the Company is responsible for the leadership, strategic direction and overall management of the Company. It sets the Company's strategic aims, establishes the Company's values and standards, and monitors compliance within a framework of effective controls.

As at 31 March 2012 and throughout most of the year, the Board comprised of six directors two of whom were executives, and four including the Chairman were non-executive directors. The names and other details of all of the directors as at the date of this report are as set out in the section headed "The Board of Directors" in this Annual Report. Each of the executive directors has a combination of professional skills and vast experience in the business. The non-executive directors represent a diverse business background complementing the executive directors' skills. All of the directors bring an objective judgment to bear on issues of strategy, resources and standards of performance. The directors believe that the Board includes an appropriate balance of skills and ability to provide effective leadership and control to the Company.

The Board met formally three times during the year, as well as informally as and when required. Attendance at Board and committee meetings was 100% on the part of all Board members. The Board reserves for itself a formal schedule of matters on which it takes the ultimate decision. These include adopting the Company's strategic plan and the annual budget, approving all major capital expenditure and material contracts, acquisitions and disposals of businesses and other assets, appointment of senior executives and succession planning, reviewing management's corporate and financial performance, and overall review of the Company's internal controls. Particular other matters are delegated to the Audit Committee of the Board, the roles and responsibilities of which are set out below.

RETIREMENT AND ELECTION OF DIRECTORS

It is the Board's policy that new Directors are subject to election at the first opportunity following their appointment.

Non-executive Directors are subject to retirement and re-election on an annual basis, in accordance with the Articles of Association.

COMPANY SECRETARY

The Company Secretary is appointed by the Board of Directors. All Board

Corporate Governance Statement continued

members have access to the secretarial services provided by the secretarial office.

In liaison with the Chairman, the Company Secretary ensures timely communication and circulation of all matters relating to the Board. The Company Secretary ensures the following:-

- That the annual calendar is prepared, approved and circulated to all members after approval
- Adequate information is provided and circulated to all members prior to Board or sub-committee meetings
- Culture of good corporate governance is promoted
- Liaison with statutory regulators of listed Companies
- Compliance with listing rules
- Maintaining statutory register

AUDIT COMMITTEE

The Board has established an Audit Committee to monitor the integrity of the Company's financial statements, and the effectiveness of the Company's internal financial controls. The members of the Audit Committee bring considerable financial and accounting experience to the committee's work, and in particular the Board considers that the chairman of the Audit Committee, George Sokota FCA, FCCA, FZICA, has appropriate recent and relevant financial experience. The Board is satisfied that the combined qualifications and experience of the members give the Committee collectively the financial expertise necessary to discharge its responsibilities.

THE CHAIRMAN AND CHIEF EXECUTIVE

There is a clear division of responsibility set out between the non-executive Chairman and the Managing Director.

The Chairman's primary responsibility is to lead the Board. He is responsible for the efficient and effective working of the Board, and ensures that all members of the Board, including in particular the non-executive directors, have an opportunity to contribute effectively. He is also responsible for ensuring that there is appropriate and timely communication with shareholders.

The Board has delegated executive responsibility for running the Company to the Managing Director and the executive management team. The Managing Director is responsible for the strategic direction and the overall performance of the Company, and is accountable to the Board for all authority so delegated.

BOARD BALANCE AND INDEPENDENCE

The Board is of the view that the current size and structure of the Board works well, and that the balance of executive and non-executive directors generates a good degree of constructive and effective challenge and debate. It is not intended to change the size of the Board in the short to medium term.

Throughout the year, the Board comprised both independent and non-independent non-executive directors. The directors consider that there is a strong independent representation on the Board, and are committed to refreshing and strengthening the independent representation.

COMMUNICATION WITH SHAREHOLDERS

Zambian Breweries Plc places considerable importance in maintaining active investor relations through open, fair and transparent communications. The Company ensures timely dissemination of information to its investors and other stakeholders through

Corporate Governance Statement continued

various media. A dedicated shareholders unit through the Transfer Secretaries is responsible for active interaction with the shareholders.

The Company places great emphasis on maintaining regular and responsible dialogue with shareholders. This is further achieved through hosting shareholders on Shareholders Day where the relevant information about the Company is made available. During the year, there is publication of the annual and half-year results.

In addition, the Company encourages communication with all shareholders, and welcomes their participation at Annual General Meetings. All shareholders who attend the Company's Annual General Meeting are given the opportunity to question the Chairman and other members of the Board, on any aspect of the Company's business.

CORPORATE SOCIAL RESPONSIBILIY

Zambian Breweries Plc has consistently been involved in financing interventions that stimulate economic and social development and reduce poverty at the same time. These activities are centered on the Ten Priorities One Future Sustainable Development Plan that all SABMiller Plc subsidiaries use to demonstrate company commitment to social issues which also provide clarity to shareholders and other stakeholders on what the company believes are the important things for their business.

In a bid to empower local women to have a source of livelihood, the Company has engaged 140 women from surrounding areas of the Lusaka and Ndola plants whose sole purpose is to sort bottles. The Company is paying over K47, 520,000 per month in wages which the women share among themselves, and assist some underprivileged members of the communities they live in. The project has proved to be a success story as the brewery has continued to receive a service to facilitate its production process, while on the other hand, the women who were once vulnerable and jobless have been equipped with a decent source of income. This project has undeniably had a positive bearing on the society at large.

Zambian Breweries Plc, under the auspices of its mother-body SABMiller, has in the past year had various interventions to engage stakeholders and work collectively to address irresponsible consumption of alcohol. In partnership with her sister company National Breweries Plc, the two companies brought together more than 50 local musicians to a workshop dubbed "Being a Positive Influence" which centred around sharing ideas with each other on how best musicians can be good examples to their fans when it comes to alcohol consumption.

One of SABMiller's core principles is that alcohol consumption is for adults and is a matter of individual judgment and accountability. It is a fact that musicians can and should be role models for the younger generation in as far as responsible consumption of alcoholic beverages is concerned hence the two companies intervention with a workshop to encourage good values in society that trickles down to good moral behaviour and decency, even while celebrating music.

Another intervention that Zambian Breweries Plc in partnership with National Breweries Plc made was the hosting of a one hour talk show dubbed, 'TALKING ALCOHOL' which was a live programme aired on Zambia's Muvi Television. The main aim of the six part series was to create a platform of interaction of various experts in different fields of expertise to discuss how the nation could rally together to discourage alcohol abuse by providing accurate and balanced information on alcohol.

It has also become clear that there are significant opportunities for Zambian Breweries Plc to play a more proactive role in the development of agriculture in Zambia such that an increasing proportion of our ingredients can be locally produced.

Corporate Governace Statement continued

The Company has therefore created an “Enterprise Development”, function to pro-actively develop local farming capability in order to reliably supply the brewery with agricultural products required. In so doing, the company will be supporting rural development and various government programmes in respect of poverty reduction – particularly in respect of small holder participation wherever possible. Zambian Breweries Plc is currently procuring all the barley grown by the major commercial farmers and the benefits are being passed on to the local communities. Such benefits include the provision of basic social needs such as education and health facilities, besides the obvious employment of local communities.

EXTERNAL AUDITORS

External Auditors are appointed by the shareholders and are subject to reappointment at the AGM. The current external auditors of the Company are PricewaterhouseCoopers (PwC). The audit committee is satisfied that for the period under review, the independence of the auditor’s has not been affected by provision of none-audit services.

RISK MANAGEMENT

Risk management forms an integral part of Zambian Breweries Plc’s core values and the Company lays emphasis on adopting a structured and holistic risk management framework, in order to identify, control, mitigate and manage the risks across the Company.

The directors are responsible for the Company’s risk management systems and for reviewing their effectiveness. The risk management system is designed to manage rather than eliminate the risk of failure to achieve the business objectives.

LEGAL AND COMPLIANCE

The company, as part of its management structure, has a Legal Counsel through whom matters pertaining to monitoring compliance with laws and regulations are passed.

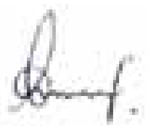
ORGANISATIONAL INTEGRITY

In its continued efforts to foster integrity within the organisation, the Company continues to enforce the Ethics policy and encourages all employees to make a declaration of their assets and/or business involvements every year.

The Company rolled out the Anti Bribery Policy after the rigorous training of all members of staff on bribery and corruption.

STATEMENT OF COMPLIANCE

The directors confirm that the Company has throughout the year ended 31st March 2012 complied with the provisions of the Lusaka Stock Exchange Governance Code.



M Mutimushi

COMPANY SECRETARY

Statement of Directors' Responsibilities

The Zambia Companies Act requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its profit or loss. It also requires the directors to ensure that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and the requirements of the Zambia Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of financial affairs of the Company and of its profit in accordance with International Financial Reporting Standards. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Nothing has come to the attention of the directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.

Signed on their behalf by:

Valentine Chitalu
Chairman

Anele Malumo
Managing Director

12 June 2012

pwc

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF ZAMBIAN BREWERIES PLC

Report on the financial statements

We have audited the accompanying financial statements of Zambian Breweries Plc set out on pages 17 to 47. These financial statements comprise the statement of financial position as at 31 March 2012 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the requirements of the Zambia Companies Act and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Zambian Breweries Plc at 31 March 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and with the requirements of the Zambia Companies Act.

PricewaterhouseCoopers, PwC Place, Stand No 2374, Thabo Mbeki Road,
P.O. Box 30942, Lusaka, Zambia.
T: +260 (211) 256471/2 , F: +260(211) 256474, www.pwc.com/zm

A list of Partners is available from the above address

Report on other legal requirements

The Zambia Companies Act requires that in carrying out our audit we consider whether Zambian Breweries Plc has kept proper accounting records and other records and registers required by this Act.

In our opinion, based on our examination of those records, Zambian Breweries Plc has maintained proper accounting records and other records and registers as required by the Zambia Companies Act.

PricewaterhouseCoopers
Chartered Accountants
Lusaka

12 June 2012

Nasir Ali
Partner signing on behalf of the firm

(all amounts are in millions of Kwacha unless otherwise stated)

Statement of Comprehensive Income

	Notes	2012	2011
Revenue		919,257	781,913
Cost of sales		(508,414)	(415,651)
Gross profit		410,843	366,262
Other operating income	7	3,285	9,829
Distribution costs		(97,557)	(113,372)
Administrative expenses		(119,213)	(105,268)
Other operating costs		(24,360)	(19,857)
Operating profit		172,998	137,594
Finance costs	8	(64,508)	(70,083)
Finance income	8	12,458	-
Profit before income tax	9	120,948	67,511
Income tax expense	11	(49,296)	(22,203)
Profit for the year		71,652	45,308
Other comprehensive income for the year		-	-
Total comprehensive income for the year		71,652	45,308
Earnings per share for profit attributable to the equity holders of the Company			
- Basic and diluted (Kwacha per share)	12	161.38	115.29

The notes on pages 21 to 47 are an integral part of these financial statements.

(all amounts are in millions of Kwacha unless otherwise stated)

Statement of Financial Position

	Notes	At 31 March 2012	2011
Non current assets			
Property, plant and equipment	13	924,149	672,640
Intangible asset	14	72,335	73,203
		996,484	745,843
Current assets			
Inventories	15	203,459	149,089
Trade and other receivables	16	60,240	51,786
Current income tax	11	17,031	20,297
Cash and cash equivalents	17	141,822	22,702
		422,552	243,874
Current liabilities			
Trade and other payables	18	242,324	187,072
Derivative financial instruments	19	458	335
Borrowings	20	380,411	75,065
		623,193	262,472
Net current liabilities		(200,641)	(18,598)
		795,843	727,245
Equity			
Share capital	21	546	364
Share premium	21	450,207	99,474
Retained earnings		208,871	137,219
Total Equity		659,624	237,057
Non-current liabilities			
Borrowings	20	-	400,000
Deferred income tax	22	136,219	90,188
Total non-current liabilities		136,219	490,188
Total equity and non-current liabilities		795,843	727,245

The notes on pages 21 to 47 are an integral part of these financial statements.

The financial statements on pages 17 to 47 were approved for issue by the Board of Directors on 12 June 2012 and signed on its behalf by:

Valentine Chitalu
Chairman

Anele Malumo
Managing Director

(all amounts are in millions of Kwacha unless otherwise stated)

Statement of Changes in Equity

	Share capital	Share premium	Retained earnings	Total equity
Year ended 31 March 2011				
At start of the year	364	99,474	91,911	191,749
Comprehensive income				
Profit for the year	-	-	45,308	45,308
Total comprehensive income for the year	-	-	45,308	45,308
At end of year	364	99,474	137,219	237,057
Year ended 31 March 2012				
At start of year	364	99,474	137,219	237,057
Comprehensive income				
Profit for the year	-	-	71,652	71,652
Total comprehensive income for the year	-	-	71,652	71,652
Transactions with owners				
Rights Issue	182	350,733	-	350,915
Total transactions with owners	182	350,733	-	350,915
At end of year	546	450,207	208,871	659,624

The notes on pages 21 to 47 are an integral part of these financial statements.

(all amounts are in millions of Kwacha unless otherwise stated)

Statement of Cash Flows

	Notes	Year ended 31 March 2012	Year ended 31 March 2011
Cash flows from operating activities			
Cash generated from operations	24	236,941	38,160
Interest received		455	1,166
Income tax paid	11	-	(114)
Net cash used in operating activities		237,396	39,212
Cash flows from investing activities			
Purchase of property, plant and equipment		(323,920)	(54,304)
Proceeds from sale of property, plant and equipment		1,437	9,956
Net cash used in investing activities		(322,483)	(44,348)
Cash flows from financing activities			
Interest paid		(64,508)	(61,251)
Repayments on Saturnia Loan		-	(7,626)
Proceeds from rights issue		350,915	-
Proceeds from bank loans		-	157,800
Repayment of bank loans		(44,193)	(15,000)
Dividends paid to shareholders		(5)	(15,180)
Net cash generated from financing activities		242,209	58,743
Increase in cash and cash equivalents		157,122	53,607
Movement in cash and cash equivalents			
At start of year		(52,363)	(97,138)
Increase in cash and cash equivalents		157,122	53,607
Exchange difference in cash and cash equivalents		12,458	(8,832)
At end of year	17	117,217	(52,363)

The notes on pages 21 to 47 are an integral part of these financial statements.

Notes

1 General information

Zambian Breweries Plc (the “Company”) is incorporated in Zambia under the Zambia Companies Act as a public company, listed on the Lusaka Stock Exchange and is domiciled in Zambia. The address of the registered office is:

Plot Number 6438, Mungwi Road
Heavy Industrial Area
Lusaka
Zambia.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The measurement basis applied is the historical cost basis, unless otherwise stated in the accounting policies below. The financial statements are presented in Zambian Kwacha (K), rounded to the nearest million.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires directors to exercise judgement in the process of applying the company’s accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

Changes in accounting policy and disclosures

(i) New and amended standards adopted

The amendments to existing standards below are relevant to the Company’s operations

Standard	**Title**
IAS 1	Presentation of financial statements
IAS 24	Related party disclosures
IFRS 7	Financial instruments: Disclosures

The amendment to IAS 1, ‘Presentation of financial statements’ is part of the 2010 Annual Improvements and clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The application of this amendment has no significant impact as the Company does not have any items under other comprehensive income.

2. Summary of significant accounting policies (continued)

(i) New and amended standards adopted (continued)

The amendment to IAS 24, 'Related party disclosures' clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The amended definition means that some entities will be required to make additional disclosures, e.g., an entity that is controlled by an individual that is part of the key management personnel of another entity is now required to disclose transactions with that second entity. Related party disclosures have increased following adoption of this amendment.

The amendments to IFRS 7, 'Financial Instruments - Disclosures' are part of the 2010 Annual Improvements and emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendment has also removed the requirement to disclose the following:

- Maximum exposure to credit risk if the carrying amount best represents the maximum exposure to credit risk;
- Fair value of collaterals; and
- Renegotiated assets that would otherwise be past due but not impaired.

The application of the above amendment has simplified financial risk disclosures made by the Company.

Other amendments and interpretations to standards became mandatory for the year ends beginning 1 April 2011 or after but had no significant effect on the Company's financial statements.

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

Numerous new standards, amendments and interpretations to existing standards have been issued but are not yet effective. Below is the list of new standards that are likely to be relevant to the Company.

Standard	Title	Applicable for financial years beginning on/after
IAS 1	Presentation of financial statements	1 July 2012
IFRS7	Financial Instruments Disclosure	1 July 2011
IFRS 9	Financial instruments	1 January 2015
IFRS 13	Fair value measurement	1 January 2013

IAS 1, Presentation of financial statements-The amendment changes the disclosure of items presented in other comprehensive income (OCI) in the statement of comprehensive income. Entities will be required to separate items presented in other comprehensive income ("OCI") into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled will be presented separately from items that may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately.

The title used by IAS 1 for the statement of comprehensive income has changed to 'statement of profit or loss and other comprehensive income', though IAS 1 still permits entities to use other titles.

Notes (continued)

2 Summary of significant accounting policies (continued)

Changes in accounting policy and disclosures (continued)

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company (continued)

IFRS 7, Financial Instruments: Disclosures-The amendments will help users of financial statements evaluate the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position and will promote transparency in the reporting of transfer transactions.

The amendments require additional disclosure on transfer transactions of financial assets, including the possible effects of any residual risks that the transferring entity retains. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

In the first year of application, an entity need not provide comparative information for the disclosures required by the amendments for periods beginning before 1 July 2011.

IFRS 9, 'Financial instruments' -IFRS 9, was issued in November 2009 and October 2010 and replaces those parts of IAS 39 relating to the classification and measurement of financial instruments.

IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch. The Company is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning 1 April 2013.

IFRS 13, 'Fair value measurement'-IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across all IFRSs. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. The Company is yet to assess IFRS 13s full impact.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

2 Summary of significant accounting policies (continued)

(b) (i) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the company's activities. Revenue is shown net of value-added tax (VAT), excise duty and discounts.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and when specific criteria have been met for each of the Company's activities as described below. Revenue is recognised as follows:

- Sales of goods are recognised in the period in which the Company has delivered products to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products.

(ii) Other operating income

a) Interest income is recognised using the effective interest method.

b) Rental income is recognised on an accruals basis in accordance with the relevant agreements.

(c) Foreign currency translations

Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional statements are presented in Zambian Kwacha which is the company's functional currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss within other operating income or other operating costs.

Notes (continued)

2. Summary of significant accounting policies (continued)

(d) Trade receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment.

(e) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

(f) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of the business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(g) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method; any differences between proceeds (net of transaction costs) and the redemption value are recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of reporting period.

2. Summary of significant accounting policies (continued)

(h) Property plant and equipment

All categories of property, plant and equipment are initially recorded at cost and are subsequently measured at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight line method to allocate their cost less their residual values over their estimated useful lives, as follows:

Buildings	25 – 40 years
Plant and equipment	3 – 20 years
Returnable containers	1.5 – 5 years
Motor vehicles	5 years

The residual values and useful lives of the assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds to their carrying amount and are included in profit or loss.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(i) Intangible assets

(i) Goodwill

Goodwill arose on the acquisition of subsidiaries and represented the excess of the consideration transferred over the Company's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree. On hive-up of operations, the Company allocated the goodwill to the operating segment or the CGU at the entity level.

Notes (continued)

2 Summary of significant accounting policies (continued)

(i) Intangible assets (continued)

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

ii) Computer software

Computer software is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Directly attributable costs that are capitalised as part of computer software include an approximate portion of overheads. The computer software is amortised over its useful life of 3 years.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of raw materials, work in progress (WIP) and finished goods is determined by the standard cost method less provision for impairment. Cost of engineering spares is measured at weighted average cost method less provision for impairment. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity), but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and applicable variable selling expenses.

(k) Employee benefits

Retirement benefit obligations

The Company operates defined contribution retirement benefit schemes for its employees. The Company and all its employees also contribute to the National Pension Scheme Fund, which is a defined contribution scheme. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The assets of all schemes are held in separate trustee administered funds, which are funded by contributions from both the Company and employees.

The Company's contributions to the defined contribution schemes are charged to profit or loss in the year in which they fall due.

2 Summary of significant accounting policies (continued)

(l) Income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the reporting date. The directors periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. However, if the deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(m) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

(n) Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction from share premium.

(o) Derivative financial instruments

Derivatives, which comprise solely forward foreign exchange contracts, are initially recognised at fair value on the date the derivative contract is entered into and are subsequently measured at fair value. The fair value is determined using forward exchange market rates at the end of reporting period .The derivatives do not qualify for hedge accounting. Changes in the fair value of derivatives are recognised immediately in profit or loss. The derivatives are trading derivatives and are classified as a current asset or liability

Notes (continued)

2 Summary of significant accounting policies (continued)

(p) Dividend distribution

Dividend payable to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

(q) Financial assets

(i) Classification

All financial assets of the Company are classified as loans and receivables, based on the purpose for which the financial assets were acquired.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of reporting period. These are classified as non-current assets. The Company's loans and receivables comprise 'non current receivables and prepayments', 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position.

(ii) Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Company commits to purchase or sell the asset. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

(iii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(iv) Impairment
The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

3 Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including price risk, foreign exchange risk, interest rate risk), credit risk and liquidity risk. The Company's risk management framework and governance structures are intended to provide comprehensive controls and ongoing management of its major risks. The Board of Directors exercises oversight through delegation from the Board to various sub-committees, notably the Audit Committee and the Executive Committee, which are organised in line with risk management policies of SABMiller Plc, the ultimate parent company.

Financial risk management is carried out by the finance department under policies approved by the board.

3 Financial risk management (continued)

An overview of the key aspects of risk management and use of financial instruments is provided below.

a) Market risk

The significant market risks to which the company is exposed are foreign exchange risk and interest rate risk.

i) Foreign exchange risk

The Company imports raw materials and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, South African Rand (ZAR) and Euro. Foreign exchange risk arises from future commercial transactions and cash and cash equivalents and payables.

The Directors policy to manage foreign exchange risk is the use of forwards and to hold foreign currency bank accounts which act as a natural hedge for purchases of imported raw materials.

At 31 March 2012, if the currency had weakened/strengthened by 10% (2011:10%) against the US dollar with all other variables held constant, post-tax profit for the year and shareholder equity would have been K10,695 million (2011: K4,788 million) higher/lower, mainly as a result of US dollar denominated trade payables and bank balances.

At 31 March 2012, if the currency had weakened/strengthened by 10% (2011:10%) against the ZAR with all other variables held constant, post tax profit for the year and shareholder equity would have been K3,321 million (2011: K7,409 million) lower/higher, mainly as a result of ZAR denominated trade payables and bank balances.

At 31 March 2012, if the currency had weakened/strengthened by 10% (2011:10%) against the Euro with all other variables held constant, post tax profit for the year and shareholder equity would have been K630 million lower/higher (2011: nil), mainly as a result of Euro denominated trade payables and bank balances.

ii) Interest rate risk

The Company's interest rate risk arises primarily from interest paid on floating rate borrowings. The floating rate borrowings expose the Company to cash flow interest rate risk.

As at 31 March 2012, with other variables unchanged, a 1% (2011:1%) decrease / increase in the base interest rate (2010: 1%) would result in post-tax profit for the year and shareholder equity being K2,313 million higher/lower (2011: K3,088 million higher/lower).

b) Price risk

The company does not hold any financial instruments subject to price risk.

(all amounts are in millions of Kwacha unless otherwise stated)

Notes (continued)

3 Financial risk management (continued)

c) Credit risk

The Company does occasionally have funds on deposit at various banks but on those occasions when the amounts involved are material, the length of time that the funds are being held, is short. In addition, the Company only banks with reputable well established financial institutions. The Company's main credit risk therefore comes from its exposure to trade and other receivables but the Company does not have significant concentrations of credit risk in these areas.

Credit risk is managed by the Finance Director except for credit risk relating to trade receivables. Trade receivables are managed by the Credit Control Manager. The Credit Control Manager assesses the credit quality of each customer before standard payment and delivery terms are offered, taking into account its financial position, past experience and other factors. Individual credit limits and terms are set based on limits set by the Board. The utilisation of credit limits and the adherence to settlement terms are constantly monitored.

Bank guarantees are obtained for the majority of credit customers.

All receivables that are neither past due nor impaired are within their approved credit limits, and no receivables have had their terms renegotiated. The company does not use external credit ratings for the purposes of assessing credit quality. The credit quality of financial assets that are neither past due nor impaired is assessed by reference to historical information about counterparty default rates. All customers are existing customers with no history of default.

None of the financial assets are past due or impaired except for the following amounts in trade receivables (which are due within 30 days of the end of the month in which they are invoiced):

	2012	2011
Past due but not impaired:		
- by up to 30 days	3,371	2,449
- by more than 31 to 60 days	1,425	717
Total past due but not impaired	4,796	3,166
Bank guarantees/title deeds	2,000	1,876
Receivables impaired in full	5,103	3,126

All receivables subject to litigation or past due by more than 60 days are considered to be impaired, and are carried at their estimated recoverable value.

(all amounts are in millions of Kwacha unless otherwise stated)

3 Financial risk management (continued)

(d) Liquidity risk

The Company manages liquidity risk by maintaining cash and cash equivalent balances and available credit facilities to ensure that it is able to meet its short term and long term obligations as and when they fall due. Company-wide cash projections are managed centrally and regularly updated to reflect the dynamic nature of the business and fluctuations caused by exchange rate movements.

The directors perform cash flow forecasting and monitor rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet its operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 20) at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Total
At 31 March 2012:			
- borrowings	442,632	-	442,632
- trade and other payables (excluding statutory liabilities)	225,560	-	225,560
- derivative financial instruments	109,115	-	109,115
Total financial liabilities (contractual maturity dates)	777,307	-	777,307
At 31 March 2011:			
- borrowings	75,065	400,000	475,065
- trade and other payables (excluding statutory liabilities)	157,456	-	157,456
- derivative financial instruments	76,334	-	76,334
Total financial liabilities (contractual maturity dates)	308,855	400,000	708,855

(e) Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3) any of its borrowing facilities.

(all amounts are in millions of Kwacha unless otherwise stated)

Notes (continued)

3 Financial risk management (continued)

(e) Fair value estimation (continued)

31 March 2012

	Level 2
Liabilities	
Financial liabilities at fair value through profit or loss	
– Trading derivatives	458
Total liabilities	458

31 March 2011

	Level 2
Liabilities	
Financial liabilities at fair value through profit or loss	
– Trading derivatives	335
Total liabilities	335

(f) Capital management

The company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new capital or sell assets to reduce debt. Consistent with others in the industry, the company monitors capital on the basis of a gearing ratio. This ratio is calculated as net debt divided by the total capital of the company in Zambia. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt.

During the year, the Company's strategy was to maintain a gearing ratio less than 75%. The gearing ratio at 31 March 2012 and 2011 were as follows;

	2012	2011
Total borrowings	380,411	475,065
Less: cash and cash equivalents	(141,822)	(22,702)
Net debt	238,589	452,363
Total equity	659,624	237,057
Total capital	898,213	689,420
Gearing ratio	27%	66%

(all amounts are in millions of Kwacha unless otherwise stated)

4 Financial instruments by category

At 31 March 2012

	Loans and receivables
Assets as per the statement of financial position	
Trade and other receivables (excluding pre-payments)	54,693
Cash and cash equivalents	141,822
	196,515

	Liabilities at fair value through profit or loss	Other financial liabilities at amortised cost	Total
Liabilities as per the statement of financial position			
Borrowings	-	380,411	380,411
Derivative financial instruments	458	-	458
Trade and other payables (excluding statutory liabilities)	-	225,102	225,102
	458	605,513	605,971

At 31 March 2011

	Loans and receivables
Assets as per the statement of financial position	
Trade and other receivables (excluding pre-payments)	49,219
Cash and cash equivalents	22,702
	71,921

	Liabilities at fair value through profit or loss	Other financial liabilities at amortised cost	Total
Liabilities as per the statement of financial position			
Borrowings	-	475,065	475,065
Derivative financial instruments	335	-	335
Trade and other payables (excluding statutory liabilities)	-	157,456	157,456
	335	632,521	632,856

Notes (continued)

5 Critical accounting estimates and judgements

(i) Critical judgements in applying the Company's accounting policies

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

Operating segments and cash generating units

Management of operations is carried out at an entity level. Prior to the amalgamation of the subsidiaries of Zambian Breweries Plc (Zambia Bottlers, Copperbelt Bottling and Northern Breweries), into Zambian Breweries plc, profitability of business was monitored on the basis of alcoholic and non-alcoholic units. The impact of this change is :

- Goodwill has been allocated to a single Cash Generating Unit, namely Zambian Breweries plc as an entity.
- The number of operating segments under IFRS 8 has been reduced to one and disclosures around segment reporting are on a Zambian Breweries Plc level.

(ii) Critical accounting estimates and assumptions

The directors make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment of goodwill

The Company tests annually whether goodwill has suffered any impairment, in accordance with accounting policy stated in Note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. The assumptions used in the calculations are set out in Note 14.

Exposure arising on tax assessments

The Company is subject to tax exposures. In determining the level to provide for, the directors have to make an estimate of the likely outcome of discussions with the tax authorities and therefore probability of loss.

6 Segment information

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The board considers the activities of the Company to substantially fall within the same product range. In the previous year, the directors had two reporting segments, alcoholic and non-alcoholic beverages. However, the company now has one reporting segment because the directors have ceased monitoring the profitability of the business or making investment decisions on the basis of alcoholic and non-alcoholic units. This is following the amalgamation of Copperbelt Bottling, Northern Breweries and Zambian Bottlers into Zambian Breweries Plc.

The Board assesses the performance of the Company based on EBITDA. The Company does not incur any non-recurring expenditure and therefore does not adjust EBITDA.

(all amounts are in millions of Kwacha unless otherwise stated)

6 Segment information (continued)

The segment information provided to the Board of directors for the reportable segment is as follows;

	2012	2011
Revenue from external customers	919,257	781,913
EBITDA	257,167	207,558
Interest income	455	1,166
Interest expense	(64,508)	(61,251)
Depreciation	(72,166)	(79,962)
Income tax expense	(49,296)	(22,203)
Profit after income tax	71,652	45,308
Total assets	1,419,036	989,717
Total liabilities	759,412	752,660

The amounts provided to the Board of directors with respect to total assets and liabilities are measured in a manner consistent with that of the financial statements.

The result of its revenue from external customers in Zambia is K913,940 million (2011: K779,472 million), and the total of revenue from external customers from other countries is K5,317 million (2011: K2,441 million).

All non-current assets are located in Zambia.

The company had two customers during the year who contributed 10% or more of the entity's total revenue. This amounted to ZMK340,480 million (2011: ZMK 222,216 million) in total.

7 Other operating income

	2012	2011
Interest income	455	1,166
Rental income	746	241
Net foreign exchange gain other than on borrowings and cash and cash and equivalents	892	459
Profit on disposal property, plant and equipment (Note 13)	1,192	7,963
	3,285	9,829

(all amounts are in millions of Kwacha unless otherwise stated)

Notes (continued)

8 Finance costs

	2012	2011
Finance costs		
Interest expense:		
- Overdrafts	12,695	61,251
- Syndicated loans	51,813	-
Net foreign exchange loss on borrowings and cash equivalents	-	8,832
	64,508	70,083
Finance income		
Net foreign exchange gain on borrowings and cash equivalents	(12,458)	-
	(12,458)	-
	52,050	70,083

9 Expenses by nature

The following notes have been charged/(credited) in arriving at the profit before income tax:

Raw materials and consumables used	429,930	342,578
Employee benefits expense (Note 10)	75,385	70,828
Depreciation on property, plant and equipment (Note 13)	72,166	79,962
Auditor's remuneration	728	701
Provision for impairment losses on trade receivables (Note 16)	1,977	760
Transportation expenses	40,194	47,079
Maintenance	28,310	21,646
Marketing	26,122	22,318
Other expenses	50,372	48,419
Total cost of sales, distribution costs and administrative costs	725,184	634,291

10 Employee benefits expense

	2012	2011
The following are included within the employee benefits expense:		
Wages and salaries	68,893	60,475
Defined contribution schemes – NAPSA and Saturnia	6,492	10,353
	75,385	70,828

11 Income tax

Current income tax	265	567
Under-provision of current income tax from prior years	3,000	-
Deferred income tax (Note 22)	46,031	21,636
Income tax expense	49,296	22,203

The tax on the Company's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

(all amounts are in millions of Kwacha unless otherwise stated)

11 Income tax (continued)

	2012	2011
Profit before income tax	120,948	67,511
Tax calculated at the statutory income tax rate of 35% (2011: 35%)	42,332	23,629
Tax effects of:		
Income not subject to tax	-	(2,786)
Under-provision in current income tax from prior years	3,000	-
Over-provision in deferred income tax from prior years	(3,556)	-
Expenses not deductible for tax purposes	7,520	1,360
Income tax expense	49,296	22,203

Current income tax movement in the statement of financial position	2012	2011
At start of the year	(20,297)	(20,750)
Charge for the year	3,265	567
Paid during the year	-	(114)
At end of the year	(17,031)	(20,297)

The accumulated tax losses will expire as follows:

Year	Loss available	Year of expiry
31 March 2010	56,666	2014/15
31 March 2011	106,752	2015/16
	163,418	

12 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

On 16 December 2011, the Company begun to publicly trade 182 million new ordinary shares issued through a rights issue on the Lusaka Stock Exchange. The rights issue was offered at K 1,950 per share and represented a discount to the fair value of the existing shares. The number of shares used for prior year calculations of earnings per share shown below have been adjusted for the discounted rights issue in order to provide a comparable basis for the current year. An adjustment factor of 1.08 has been applied based on the Company's share price of K 2,500 per share on 28 November 2011, the date that the rights offer was closed and the theoretical ex-rights price at that date of K 2,320 per share. Note 21 provides further detail on the rights issue. These adjustments to comparative earnings per share have not impacted the statements of comprehensive income and financial position and therefore, since it has not changed from the previously presented figures, the statement of financial position at 31 March 2010 has not been shown.

(all amounts are in millions of Kwacha unless otherwise stated)

Notes (continued)

12 Earnings per share (continued)

	2012	2011
Profit attributable to equity holders of the Company	71,652	45,308
Number of ordinary shares in issue(millions)	546	364
Adjustment factor	0.81	1.08
Weighted average number of ordinary shares in issue (millions)	444	393
Basic earnings per share (in Kwacha)	161.38	115.29

The factor at 31 March 2012 is adjusted for the periods before and after the rights issue.

There were no potentially dilutive shares outstanding at 31 March 2012 or 2011. Diluted earnings per share are therefore the same as basic earnings per share.

13 Property, plant and equipment

	Buildings	Plant, containers & vehicles	Capital work in progress	Total
At 1 April 2010				
Cost	67,544	747,492	40,894	855,930
Accumulated depreciation	(5,643)	(157,472)	-	(163,115)
Net book amount	61,901	590,020	40,894	692,815
Opening net book amount	61,901	590,020	40,894	692,815
Additions	-	20,114	41,666	61,780
Disposals	(832)	(1,161)	-	(1,993)
Transfers	931	69,192	(70,123)	-
Depreciation charge	(1,691)	(78,271)	-	(79,962)
Closing net book amount	60,309	599,894	12,437	672,640
At 31 March 2011				
Cost	67,537	834,116	12,437	914,090
Accumulated depreciation	(7,228)	(234,222)	-	(241,450)
Net book amount	60,309	599,894	12,437	672,640
Year ended 31 March 2012				
Opening net book amount	60,309	599,894	12,437	672,640
Additions	-	19,500	304,420	323,920
Disposals	-	(245)	-	(245)
Transfers	903	27,667	(28,570)	-
Depreciation charge	(1,697)	(70,469)	-	(72,166)
Closing net book amount	59,515	576,347	288,287	924,149
At 31 March 2012				
Cost	68,440	874,192	288,287	1,230,919
Accumulated depreciation	(8,925)	(297,845)	-	(306,770)
Net book amount	59,515	576,347	288,287	924,149

(i) Capital work in progress represents the ongoing rehabilitation/construction of the Ndola Plant.

(ii) The register showing the details of buildings and land, as required by the Section 193 of the Zambia Companies Act, is available during business hours at the registered office of the Company.

(all amounts are in millions of Kwacha unless otherwise stated)

13 Property, Plant and Equipment (Continued)

(iii) Cashflow used in the purchase of property, plant and equipment is as follows:

	2012	2011
Total additions	323,920	61,780
Less: Credit purchases	-	(7,476)
	323,920	54,304

(iv) Disposal of property, plant and equipment

	2012	2011
Cost	7,091	3,620
Accumulated depreciation	(6,846)	(1,627)
Net Book Value	245	1,993
Proceeds	(1,437)	(9,956)
Profit on disposal of property, plant and equipment	(1,192)	(7,963)

14 Intangible assets

	Goodwill	Software Licences	Total
At 31 March 2010			
Cost	71,987	2,084	74,071
Accumulated amortisation	-	(174)	(174)
Net book amount	71,987	1,910	73,897
Year ended 31 March 2011			
At start of year	71,987	1,910	73,897
Amortisation charge	-	(694)	(694)
At end of year	71,987	1,216	73,203
At 31 March 2011			
Cost	71,987	2,084	74,071
Accumulated amortisation	-	(868)	(868)
Net book amount	71,987	1,216	73,203
Year ended 31 March 2012			
Opening net book amount	71,987	1,216	73,203
Amortisation charge	-	(868)	(868)
At end of year	71,987	348	72,335
At 31 March 2012			
Cost	71,987	2,084	74,071
Accumulated amortisation	-	(1,736)	(1,736)
Net book amount	71,987	348	72,335

(all amounts are in millions of Kwacha unless otherwise stated)

Notes (continued)

14 Intangible assets (Continued)

Goodwill is allocated to the Company's cash-generating units (CGUs) identified according to operating segment. In the previous year, the directors had two reporting segments, alcoholic and non-alcoholic units. However, as a result of the amalgamation of the subsidiaries of Zambian Breweries Plc (Zambia Bottlers, Copperbelt Bottling and Northern Breweries) into one entity, the directors has ceased monitoring the business on the basis of these units and do this on an entity level. Consequently, the total goodwill in the current year has been allocated to a single CGU, namely Zambian Breweries Plc.

The recoverable amount of the segment, Zambian Breweries Plc is determined based on value-in-use calculations. These calculations use post-tax cash flow projections based on financial budgets approved by the directors covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates stated below. The growth rates do not exceed the long-term average growth rates for the respective business in which the CGU operates.

The key assumptions used for value-in-use calculations are as follows:

	2012	2011
Gross margin	45.00%	45.00%
Growth rate	3.00%	3.00%
Discount rate	10.23%	9.74%

These assumptions have been used for the analysis of Zambian Breweries CGU. The directors determined budgeted operating margin based on past performance and its expectations for the market development. The discount rates used are post-tax and reflect specific risks relating to Zambian Breweries Plc

15 Inventories

	2012	2011
Raw materials	122,572	111,928
Work in progress	7,600	5,906
Finished goods	51,328	13,088
General stores and consumables	21,959	18,167
	203,459	149,089

The cost of inventories recognised as an expense and included in cost of sales amounted to ZMK 429,930 million (2011: ZMK 342,578 million). Included in inventory are items of K9,149 million (2011: K4,800 million) carried at their net realizable value.

16 Trade and other receivables

	2012	2011
Trade receivables	31,717	26,467
Less: Provision for impairment losses	(5,103)	(3,126)
	26,614	23,341
Amount due from group Companies (Note 25)	426	416
Prepayments and accrued income	725	2,567
Other receivables	32,475	25,462
	60,240	51,786

(all amounts are in millions of Kwacha unless otherwise stated)

16 Trade and other receivables (continued)

Movements on the provision for impairment of trade receivables are as follows:

	2012	2011
At start of year	3,126	2,425
Provision in the year	1,977	760
Receivables written off during the year as uncollectible	-	(59)
At end of year	5,103	3,126

The creation and release of provision for impaired receivables have been included in 'administrative expenses' in the statement of comprehensive income. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The company holds security in the form of bank guarantees and title deeds for a majority of the credit customers.

The fair value of trade and other receivables approximates their carrying value. The carrying amounts of the trade and other receivables are denominated in the following currencies:

Currency	2012	2011
ZMK	31,136	26,435
US Dollar	581	32

17 Cash and cash equivalents

	2012	2011
Cash and cash equivalents	141,822	22,702
Bank overdrafts (Note 20)	(24,605)	(75,065)
	117,217	(52,363)

18 Trade and other payables

	2012	2011
Trade payables	27,367	20,311
Amounts due to related companies (Note 25)	93,047	70,891
Accrued expenses	62,562	38,115
Dividends payable	318	323
Other payables	59,030	57,432
	242,324	187,072

The carrying amount of the above payables and accrued expenses approximate to their fair value.

(all amounts are in millions of Kwacha unless otherwise stated)

Notes (continued)

19 Derivative financial instruments

	2012	2011
Forward exchange contracts		
- Liability	458	335

The derivative financial instruments comprise forward foreign exchange contracts that are not designated as hedging instruments and are considered as trading derivatives. Trading derivatives are classified as a current asset or current liability in the statement of financial position. Derivative financial instruments are presented within the section on operating activities as part of changes in working capital in the statement of cash flows.

The notional principal amounts of the outstanding forward exchange contracts at 31 March 2012 were ZMK 109,115 million (2011: ZMK 76,334 million).

20 Borrowings

The borrowings are made up as follows:	2012	2011
Non-current:		
Syndicated loans	-	400,000
Current:		
Bank overdrafts	24,605	75,065
Syndicated loans	355,806	-
Total borrowings	380,411	475,065

The Syndicated facility is secured by the backing of SABMiller Plc. The overdraft facilities from the various banks are all unsecured. Interest on the syndicated loan and bank overdraft is payable at the treasury bill rates of the respective banks plus a margin ranging from 2.5% to 3.25%. The effective interest rate on the facilities at the year end was 12% (2011:11%).

The bank overdrafts expiring within one year are annual facilities subject to renew at various dates during 2012.The syndicated loan is due for repayment on 13 February 2013. There were no facilities in default during the year.

21 Share capital

	Number of shares	Ordinary shares	Share premium
Balance at 1 April 2010 and 31 March 2011	364	364	99,474
Rights issue	182	182	350,733
Balance at 31 March 2012	546	546	450,207

The total authorised number of ordinary shares is 600,000,000 (2011: 400,000,000) with a par value of K 1 per share. All issued shares are fully paid.

The company issued 182 million ordinary shares on 16 December 2011 to the shareholders of the Company at K1,950 per share through a rights issue. All shares were taken up and have been fully paid. The proceeds from the rights issue were credited to ordinary shares and share premium net of transaction cost.

(all amounts are in millions of Kwacha unless otherwise stated)

22 Deferred income tax

	2012	2011
At start of the year	90,188	68,552
Over provisioning from prior year	(3,556)	-
Charge for the year	49,587	21,636
At end of year	136,219	90,188

Deferred income tax assets and liabilities, deferred income tax charge/ (credit) in profit or loss are attributed to the following items:

Year ended 31 March 2012

	1.04.2011	Charged/ (credited) to profit or loss	31.03.2012
Deferred income tax liabilities			
Property, plant and equipment	188,873	4,542	193,415
	188,873	4,542	193,415
Deferred income tax assets			
Other deductible temporary differences	43	(43)	-
Tax losses carried forward	(98,728)	41,532	(57,196)
	(98,685)	41,489	(57,196)
Net deferred income tax liability	90,188	46,031	136,219

Year ended 31 March 2011

	1.04.2010	Charged/ (credited) to profit or loss	31.03.2011
Deferred income tax liabilities			
Property, plant and equipment	131,156	57,717	188,873
	131,156	57,717	188,873
Deferred income tax assets			
Other deductible temporary differences	(1,401)	1,444	43
Tax losses carried forward	(61,203)	(37,525)	(98,728)
	(62,604)	(36,081)	(98,685)
Net deferred income tax liability	68,552	21,636	90,188

(all amounts are in millions of Kwacha unless otherwise stated)

Notes (continued)

23 Dividends per share

At the annual general meeting to be held on 29 June 2012, no final dividend in respect of the year ended 31 March 2012 is to be proposed.

The K 5 million paid in the current year relates to dividends from 2009. K15 billion relates to WHT paid in 2011 for the dividend in specie on the reorganisation of the Company.

Payment of dividends is subject to withholding tax at rates varying between zero and 15% depending on the resident status of the shareholders. Dividends declared by a company listed on the Lusaka Stock Exchange and payable to an individual are exempt from withholding tax.

24 Cash generated from operations

Reconciliation of profit before income tax to cash generated from operations:

	2012	2011
Profit before income tax	120,948	67,511
Adjustments for:		
Interest income (Note 7)	(455)	(1,166)
Interest expense (Note 8)	64,508	61,251
Depreciation and container amortisation (Note 13)	72,166	79,962
Profit on sale of property, plant and equipment (Note 7)	(1,192)	(7,963)
Amortisation of intangible asset(Note 14)	868	694
Foreign exchange differences	(12,458)	8,832
Changes in working capital		
- Trade and other receivables	(8,454)	(2,746)
- Inventories	(54,370)	10,644
- Trade and other payables	55,257	(179,194)
- Derivative financial instruments	123	335
Cash generated from operations	236,941	38,160

25 Related party transactions

The Company is controlled by SABMiller Africa and Asia BV (incorporated in the Netherlands). The ultimate parent and ultimate controlling party of the Company is SABMiller Plc (incorporated in England and Wales). There are other companies that are related to Zambian Breweries Plc through common shareholdings or common directorships.

(all amounts are in millions of Kwacha unless otherwise stated)

25 Related party transactions (continued)

i) Purchase of goods and services:

	2012	2011
From fellow subsidiaries:		
SABMiller Africa & Asia (Pty) Limited	104,227	40,297
South African Breweries Limited	19,282	4,549
Sabmark International - a division of SABMiller Finance BV (Royalties)	37,445	31,307
Bevman Services AG (Management fees)	24,360	19,857
Swaziland Breweries	5,985	4,112
Tanzania Breweries	87	-
Kgalagadi Breweries Plc	10,612	12,642
Mubex	300,486	44,628
	502,484	157,392

ii) Directors' remuneration and key management compensation

	2012	2011
Directors remuneration		
Non-executive Directors fees	122	95
Other emoluments	6,125	6,148
Retirement benefit cost	169	105
	6,416	6,348

	2012	2011
Other key management compensation		
Salaries and short term emoluments	6,785	6,456
Retirement benefits cost	522	392
	7,307	6,848

iii) Outstanding balances from purchase of goods/services

	2012	2011
Due to fellow subsidiaries:		
SABMiller Africa & Asia (Pty) Limited	34,485	35,336
South African Breweries Limited	142	1,335
Sabmark International - a division of SABMiller Finance BV (Royalties)	13,497	11,842
National Breweries - Zambia	4,940	-
Heinrichs Beverages Ltd	8,589	-
Swaziland Breweries Ltd	1,484	1,034
Tanzania Breweries Ltd	102	-
Kgalagadi Breweries Plc	294	1,191
Mubex Ltd	28,694	17,153
	92,227	67,891
Due from parent company:		
SABMiller Plc	820	3,000
	93,047	70,891

(all amounts are in millions of Kwacha unless otherwise stated)

Notes (continued)

25 Related party transactions (continued)

iv) Outstanding balances arising from sale and purchase of goods/services

Receivables from fellow subsidiaries		
Malawi Beverages Ltd	426	416
	426	416

The payables to related parties arise mainly from purchase transactions and are due three months after date of purchase. The payables bear no interest.

The receivables from related parties arise mainly from sale transactions and are due one month after the date of sale. The receivables are unsecured and bear no interest. No provisions are held against receivables from related parties (2011: nil).

26 Contingent liabilities

Zambian Breweries plc had several pending legal proceedings at 31 March 2012. The Directors having obtained appropriate legal advice are of the opinion that there will be no material losses arising from the pending legal proceedings. The value of potential claims against the company are ZMK35,032 million (2011: ZMK45,429million).

Notes

Profile

Founded	:	1952
Listed	:	1994
Year end	:	March 31

Sector
Consumer goods (Beverage Industry)

Nature of business
Production and distribution of clear beer and soft drinks

Managing Director
Anele Malumo

Finance Director
Annabelle Degroot

Company Secretary
Mwansa Mulumba-Mutimushi

Registered address
Plot 6438, Mungwi Rd, Heavy Industrial Area, Lusaka
Telephone: +260 (211) 244 501/246 555

Postal address
Box 31293, Lusaka Zambia

Website
www.sabmiller.com

Auditors
PricewaterhouseCoopers

Transfer Secretaries
Corpserve Transfer Agents

Zambian Breweries Plc
Plot 6438 Mungwi Road Heavy Industrial Area,
P O Box 31293 Lusaka, Zambia
T: +260 211 246555 www.sabmiller.com